

Britain to create three new retail banks

Contributed by Egypt News
Monday, 02 November 2009

Britain's Government is to create three new high street banks from bailed out lenders Royal Bank of Scotland, Lloyds Banking Group and Northern Rock, reports said yesterday.

The huge shake-up comes as the government seeks to recoup taxpayers' cash used to prop up the banks during the world financial crisis and increase competition.

Lloyds is 43 per cent owned by the state and RBS 70 per cent, while Northern Rock was nationalised outright. The government could confirm the move, to come in by 2015, tomorrow, said media reports.

"What we are talking about here is basically three new banks," an unnamed Treasury source told British media. "We want a better deal for the taxpayer after all the investment that they have made."

The new banks would be retail-focused, concentrating on deposits and mortgages.

RBS and Lloyds are also reportedly set to sell off some parts of their businesses, including around 300 branches for RBS, while the Observer reported that Lloyds is set to launch a £13 billion (Dh78bn) cash call.

Meanwhile, the government could up its stake in RBS from 70 per cent to up to 84 per cent, the Sunday Times reported.

EU regulators last week approved the state aid contained in plans to break up and sell Northern Rock.

All three banks received huge government bailouts at the height of the global economic storm but regulatory authorities are concerned about such state-backed banks having an unfair advantage over those that were not helped.

The Sunday Telegraph reported that no current owner of a British retail bank would be allowed to take on the new institutions so buyers could come from the United States, Australia or the Middle East.

EGYPT NEWS